



CITY OF SAN MATEO

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Agenda Report

Agenda Number: {{item.number}}

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TO: City Council
FROM: Drew Corbett, City Manager
PREPARED BY: Finance Department
MEETING DATE: July 20, 2020

SUBJECT:
Financial System Replacement – Agreement

RECOMMENDATION:

Approve an agreement with Plante Moran for services related to replacement of the City's financial system in the amount of \$201,020 and authorize the City Manager to execute the agreement in substantially the form presented.

BACKGROUND:

Since 2002, the City of San Mateo has utilized Tyler Technology's Eden financial system to provide a wide range of business services to internal and external stakeholders, including, but not limited to, payroll, accounts payable, accounts receivable, accounting, and budget. In 2012, Tyler Technology (Tyler) sent a notice to Eden clients that it would no longer sell the system to new clients. Since that time, Tyler has gradually reduced its support of the Eden system. The shift in support is manifest through attrition in the number and quality of support personnel from Tyler, and minimal investment in research and development in the Eden system. As such, there are no opportunities for the City to consider and leverage any financial system improvements or take advantage of modern technology to improve efficiency and accuracy in the City's business processes and procedures.

With the above in context, accompanied by the City's growing need for a comprehensive business process review, in October 2019, Finance Department staff issued a Request for Proposals (RFP) for a consulting firm to provide services related to replacement of the City's financial system. The City received nine responses to the RFP, which were narrowed down to three firms after a preliminary review by an internal team, comprised of staff from the Finance, Information Technology, and Community Development Departments. The three firms – SDI, ClientFirst, and Plante Moran were invited to interview in January 2020. The finalists were rated by an evaluation panel consisting of staff from the Community Development, Human Resources, Information Technology, and Finance Departments. Evaluation criteria for the interview were presentation quality, firm experience, cost, and fit. The evaluation panel identified ClientFirst and Plante Moran as the finalist firms. The City's Finance Director conducted reference checks for each finalist firm, selecting municipalities from the list of each respective firm's references that were comparable to the City of San Mateo in terms of size and complexity. After reviewing the reference check responses, the evaluation panel unanimously selected Plante Moran as the recommended vendor to provide the scope of services noted below by major phases of the project.

Project Management

Prior to embarking on the project, this preliminary project phase serves to position the project for success by performing the following actions:

- Establish project organizational structure to define roles, responsibilities, and expectations;
- Develop project charter to establish a framework;
- Develop a detailed project plan to identify the activities, responsibilities, and timing of tasks required to complete

the project;

- Establish a project collaboration environment to serve as a repository for project information (i.e. Microsoft Teams, Sharepoint, etc.)
- Conduct periodic project status meetings

Needs assessment

This is a critical precursor to review the City's current business processes, identify opportunities for improvement, and identify business needs, which will be incorporated into an ERP Needs Assessment / Gap Analysis Report. The information will be gathered through conducting numerous interviews with key stakeholders. In addition, an action plan will be developed that includes an issues and opportunities matrix, a plan to implement the recommended solution, recommended time frames, and necessary City staff resources.

Request for proposals / Vendor selection

Once the City's business processes have been comprehensively reviewed and business needs identified through the needs analysis phase, these requirements will be incorporated into the request for proposals (RFP) that will seek responses from qualified software vendors to replace the City's financial system. Given Plante Moran's experience and knowledge of financial systems, the scope of service provides for Plante Moran to draft the RFP, subject to review and approval by staff.

The latter half of this phase of the project will be to evaluate responses to the RFP, narrowing down the field to viable vendors that closely meet the City's business needs as identified in the needs assessment phase, and conduct subsequent due diligence through product demonstrations, reference checks, and site visits to other local government agencies where the system has been implemented. The final portion of this phase of the project will be assisting the City in making a final software selection.

Contract Negotiations and Statement of Work (SOW) Development

Once the preferred vendor has been selected, Plante Moran will assist the City in negotiating the contract and developing a statement of work. As part of the contract negotiations, Plante Moran will assist the City with review of the proposed contract terms, conditions, and costs.

After completion of the needs assessment phase, one potential outcome could be that the City's business needs may be best met by one software vendor. If this is the case, then the City would forgo the RFP/vendor selection phase.

Implementation Management Assistance

Subsequent to successful completion of the above phases, implementation of the selected financial system will begin. As noted in Plante Moran's proposal, included as Attachment 1 for reference, the timeframe and cost for client-side project management (in which Plante Moran would provide project management services to advocate for the City's best interests) is dependent upon a variety of factors, including scope of the selected software solution, availability of City staff and vendor staff, implementation approach (phased or "big bang"), and complexity of implementation.

Plante Moran will work with the preferred vendor and City staff to develop an implementation schedule and plan, which would inform the cost for the final phase of the scope of services with Plante Moran. At that time, staff will return to the City Council for the remaining contract authority necessary to complete the final phase with Plante Moran, as well as award contract to the preferred software vendor selected through the RFP process.

Additional Needs

In addition to the services being delivered through the agreement with Plante Moran and the selection of a software vendor to replace the City's financial system, staff anticipates other needs that will be necessary to ensure successful execution and delivery of the project. While these needs will become clearer through the needs assessment phase, staff anticipates needing temporary staffing to backfill for City subject matter experts while a portion of their time and energy are dedicated to the implementation phase. While Plante Moran will serve as the client-side project manager, and the selected software vendor will also have a project manager, staff anticipates also needing an internal project manager to coordinate internal resources and ensure responsive and timely allocation of staff resources. Given the temporary nature

of the project, the internal project manager will most likely be filled with either a limited-term position or through per diem resources.

Based on industry experience by Plante Moran, City staff experience from the previous financial system implementation, and relevant financial system implementation experience with other local government agencies, the implementation phase will last approximately 24 to 30 months; by far the most time-consuming phase of the entire process. Staff anticipates that a phased implementation approach will be employed, which will entail specific modules of the financial system to go live first, such as the general ledger, followed by other modules, such as accounts payable, budget development, and payroll. This approach will apportion project milestones at a more manageable pace, and establish a solid foundation, the general ledger, for the other modules of the financial system to build upon.

Other Government Agencies

The City of San Mateo provides financial and human resources services to the San Mateo Consolidated Fire Department (SMC Fire), which also uses Tyler Eden for its financial system. In order to position the City and SMC Fire for the most efficient management of staff resources, staff determined that it would be prudent to ensure that both organizations use the same financial system. If the City were to transition to a new financial system and SMC Fire were to remain on Tyler Eden, that would require Finance and Human Resources staff to be proficient in two different financial systems. In addition, payroll for SMC Fire personnel is notably more complex in comparison to other employees. As tax, pension, and other administrative laws change, the inherent risk grows with a legacy system that SMC Fire may not be able to maintain compliance with new laws or reporting requirements.

The City's Finance Director also serves as the Treasurer-Auditor-Controller of the San Mateo – Foster City Public Financing Authority (PFA). Pursuant to state law, the PFA is required to have a separate independent audit and issue basic financial statements. Currently, City staff uses Quickbooks software to account for PFA financial activity, which meets the current needs of the PFA, due to the relative simplicity of its accounting requirements. However, as the PFA continues to issue new debt, such as the 2020 Bonds that financed the cost of flood control and street rehabilitation/reconstruction improvements for the City, the complexity in accounting requirements will increase. As such, the need for an enterprise-level financial system will be warranted, and it will be practical to maintain consistency with the City's financial system.

The incremental cost to incorporate SMC Fire and the PFA into the scope of work with Plante Moran was \$26,000. Therefore, \$26,000 of the total cost of \$201,020 will be allocated to SMC Fire and the PFA, and the City will pay the remaining \$175,020 of the contract cost.

BUDGET IMPACT:

Two million dollars in funds have been collected to replace the City's financial system in the City's Vehicle and Equipment Replacement Fund, all of which were appropriated as a CIP project in the adopted 2020-21 budget for this project. Specifically, these funds are intended to cover the comprehensive costs of replacing the City's financial system, which will include the cost of the contract with Plante Moran, software licenses, annual maintenance for the first year of the new financial system, temporary staffing, internal project management, and other ancillary costs.

ENVIRONMENTAL DETERMINATION:

This agreement is not a project subject to CEQA, because it is an organizational or administrative activity that will not result in direct or indirect physical changes in the environment. (CEQA Guidelines Section 15378(b)(5).)

NOTICE PROVIDED

All meeting noticing requirements were met.

ATTACHMENTS

Att 1 – Agreement

Att 2 – Plante Moran proposal

STAFF CONTACT

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